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TOP BANKS IN MORTGAGE SECURITIES — TABLES P.6

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TODAY

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Banks Boost Investments in Mortgage Securities

Abundant Supply, US Guarantee, and Premium Yields Make Them Attractive

By MICHAEL CACACE

NEW YORK — Securities backed by home mortgages and insured by federally sponsored agencies are becoming an increasingly attractive investment vehicle for many commercial banks, an *American Banker* survey has found.

The abundant supply of these securities, their high-quality ratings, and their premium yields are the three main reasons for their appeal to banks.

Last year, for example, the top 50 banks in mortgage security investments increased their holdings by 77%. As of June 30, 1986, the top 50 banks held $15.05 billion in mortgage securities, compared with $8.48 billion a year earlier.

Some banks, however, posted gains that were substantially higher than the average. The First Union National Bank, Charlotte, N.C., which ranked as the top bank in mortgage security holdings, increased its mortgage security investments fourfold last year to $2.06 billion on June 30, from $517 million a year earlier. And the Irving Trust Co., New York, posted the largest gain among the top 50 banks, increasing its holdings of mortgage securities by more than 14,000% to $252 million at midyear 1986.

Top Five Banks in Mortgage Securities

In Millions of Dollars on June 30, 1986

1. First Union National Bank	$2,061
2. Pittsburgh National Bank	1,182
3. Bank of America	1,049
4. First National Bank, Boston	1,020
5. First Pennsylvania Bank NA	553

According to a spokesman for First Union, "the bank was attracted to the government guarantee, the attractive yield, and the flexibility of tailoring a Ginnie Mae investment to our yield and maturity needs. In addition, the slowing of loan demand in our markets was another factor." As of June 30, all of First Union's mortgage securities were government mortgage securities.

A spokesman for Irving Trust listed similar reasons for Irving's substantial increase in mortgage security investments. "Definitely, yield and quality were prime reasons for the invest-

Mortgage: Page 7 ➳

Agencies Seek National Housing Policy

Freddie Mac, Fannie Mae Heads Hope Congress Will Set Course

By MARK BASCH

NEW YORK — As players in the secondary mortgage market gather in Hawaii for one of their biggest conventions, discussion is likely to center on a key issue facing the industry in 1987 — what role the U.S. government should play in the housing market.

The leaders of both the Federal Home Loan Mortgage Corp. and the Federal National Mortgage Association recently expressed concern over that issue and the effects that a national housing policy would have on their organizations.

"The issue that will be under scrutiny is broader than Fannie Mae or Freddie Mac — it is government's role in housing in general and the mortgage market in particular," Leland C. Brendsel, Freddie Mac's acting president, said in a speech this month at the Mortgage Bankers Association of America's economic outlook conference in New York.

"Tremendous attention must be placed on looking at any fundamental moves in the secondary market as to what its impact will really be on the national housing policy in this country," Fannie Mae President Frank V. Cahouet told reporters after his speech at the conference. "We feel that should be addressed at this time, before we move too much further down the road."

Mr. Brendsel said his main concern is the administration's proposal that mortgage loans purchased by Freddie Mac and Fannie Mae be capped, with limits varying from market to market. The limit would be $153,100 in areas

Agencies: Page 22 ➳

Sears Bank Selling Up to 50 Branches; Citicorp Link Seen

West Coast Bureau

LOS ANGELES — The Sears Savings Bank, whose earnings fell sharply in the first nine months of 1986, is negotiating to sell more than half of its 91 branches, industry sources said on Friday. Citicorp Savings is reportedly the leading candidate to buy the branches, which stand apart from Sears stores.

Citicorp Savings, San Francisco, is a unit of New York-based Citicorp, the nation's largest bank holding company. Sears Savings Bank, Glendale, Calif., is a unit of Sears, Roebuck and Co., the Chicago-based retailing and financial services concern.

Neither Sears nor Citicorp would comment. However, a report in the *Los Angeles Times* on Friday said Sears Sav-

Sears: Page 23 ➳

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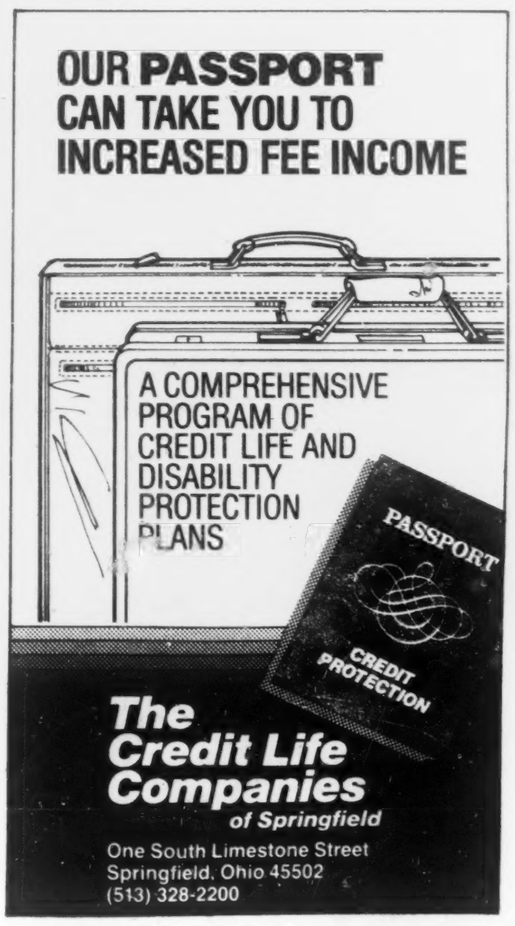
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Top 50 Banks in Mortgage Security Holdings

Based on Combined Government- and Private-Insured Securities on June 30, 1986

(Dollar Amounts in Thousands)

Compiled by American Banker Copyright 1986

Rank 6/86		Total Mortgage Securities 6/30/86	6/30/85	% Chg.	Government Mortgage Sec. 6/30/86	6/30/85	Private Mortgage Sec. 6/30/86	6/30/85	Total Assets 6/30/86	Total Securities 6/30/86	Ratios on 6/30/86 Mtge Sec: Assets	Mtge Sec: Securities	Sec: Assets
1	First Union National Bank, Charlotte, N.C.	2,060,997	517,818	298.02	2,060,997	517,818	0	0	13,324,348	4,304,853	15.47	47.88	32.31
2	Pittsburgh National Bank	1,181,717	335,358	252.37	1,181,717	335,358	0	0	12,457,487	3,531,352	9.49	33.46	28.35
3	Bank of America NT & SA, San Francisco	1,049,000	1,048,000	0.10	1,049,000	1,048,000	0	0	105,234,001	4,823,000	1.00	21.75	4.58
4	First National Bank, Boston	1,019,777	149,591	581.71	1,019,777	149,591	0	0	22,377,176	1,824,273	4.56	55.90	8.15
5	First Pennsylvania Bank NA, Philadelphia	552,679	657,977	-16.00	552,679	657,977	0	0	5,700,432	717,449	9.70	77.03	12.59
6	Hibernia National Bank, New Orleans	508,626	370,877	37.14	508,626	370,877	0	0	2,451,480	705,539	20.75	72.09	28.78
7	First Fidelity Bank NA, Newark, N.J.	497,021	367,942	35.08	308,419	367,942	188,602	0	8,527,293	1,793,612	5.83	27.71	21.03
8	National Bank OF Detroit	446,146	210,494	111.95	446,146	210,494	0	0	13,010,940	2,997,979	3.43	14.88	23.04
9	Equibank, Pittsburgh	409,192	385,082	6.26	408,223	383,949	969	1,133	2,339,002	589,969	17.49	69.36	25.22
10	Citibank NA, New York	394,000	557,000	-29.26	394,000	555,000	0	2,000	142,477,000	8,196,000	0.28	4.81	5.75
11	Chemical Bank, New York	387,071	222,477	73.98	378,997	222,477	8,074	0	57,069,890	4,804,169	0.68	8.06	8.42
12	Republic National Bank, New York	377,549	59,900	530.30	377,549	59,900	0	0	16,246,325	2,903,631	2.32	13.00	17.87
13	Florida National Bank, Jacksonville	309,223	45,684	576.87	22,941	31,722	286,282	13,962	6,316,365	991,576	4.90	31.19	15.70
14	Comerica Bank-Detroit	297,904	275,220	8.24	297,904	275,220	0	0	6,760,707	1,044,611	4.41	28.52	15.45
15	Southeast Bank NA, Miami	291,423	220,974	31.88	249,821	220,974	41,602	0	10,406,946	1,933,644	2.80	15.07	18.58
16	Continental Illinois National B&T Co., Chicago	290,257	620,644	-53.23	290,257	620,644	0	0	28,710,844	2,599,915	1.01	11.16	9.06
17	Manufacturers Hanover Trust Co., New York	288,685	.....	...	288,685	.....	0	.....	62,168,657	3,685,453	0.46	7.83	5.93
18	Bank of Baltimore	257,581	182,015	41.52	257,581	182,015	0	0	2,047,991	919,237	12.58	28.02	44.88
19	Irving Trust Co., New York	252,448	1,739	14,417	251,130	300	1,318	1,439	19,471,741	1,217,230	1.30	20.74	6.25
20	Dominion Bank NA, Roanoke, Va.	231,138	52,097	343.67	231,138	52,097	0	0	3,196,617	527,232	7.23	43.84	16.49
21	First National Bank of Maryland, Baltimore	203,987	80,102	154.66	203,987	80,102	0	0	4,331,287	697,412	4.71	29.25	16.10
22	Fidelity Bank NA, Malvern, Pa.	191,663	.....	...	124,060	.....	67,603	.....	6,804,483	708,901	2.82	27.04	10.42
23	Equitable Bank NA, Baltimore	189,193	101,163	87.02	189,193	101,163	0	0	3,410,680	1,017,955	5.55	18.59	29.85
24	Union Trust Co., Baltimore	186,749	1,334	13,899	186,749	1,334	0	0	2,781,180	481,629	6.71	38.77	17.32
25	BancOhio National Bank, Columbus	179,730	196,765	-8.66	179,730	196,765	0	0	4,360,304	649,615	4.12	27.67	14.90
26	Maryland National Bank, Baltimore	167,253	11,527	1350.97	143,993	11,527	23,260	0	7,246,689	947,065	2.31	17.66	13.07
27	Huntington National Bank, Columbus, Ohio	164,968	134,493	22.66	164,968	134,493	0	0	6,609,547	982,915	2.50	16.78	14.87
28	American Security Bank NA, Washington, D.C.	164,507	35,159	367.89	164,507	35,159	0	0	4,226,178	747,094	3.89	22.02	17.68
29	First National Bank, Louisville, Ky.	161,117	.....	...	120,123	.....	40,994	.....	3,585,542	536,617	4.49	30.02	14.97
30	Morgan Guaranty Trust Co., New York	152,160	56,663	168.54	152,160	56,663	0	0	67,856,409	1,761,535	0.22	8.64	2.60
31	Northern Trust Co., Chicago	150,806	85,634	76.11	0	85,634	150,806	0	6,935,552	998,956	2.17	15.10	14.40
32	Texas Commerce Bank NA, Houston	150,622	.....	...	150,622	.....	0	.....	10,793,299	1,043,222	1.40	14.44	9.67
33	United Virginia Bank, Richmond	119,047	125,601	-5.22	100,679	125,601	18,368	0	7,170,580	876,604	1.66	13.58	12.23
34	United Jersey Bank, Hackensack, N.J.	118,543	38,830	205.29	0	301	118,543	38,529	3,148,162	512,559	3.77	23.13	16.28
35	Hibernia Bank, San Francisco	118,400	207,529	-42.95	72,192	186,818	46,208	20,711	1,269,228	124,755	9.33	94.91	9.83
36	Exchange National Bank, Chicago	114,608	83,440	37.35	114,608	83,440	0	0	1,585,612	304,920	7.23	37.59	19.23
37	Connecticut National Bank, Hartford	113,880	90,244	26.19	113,880	90,244	0	0	7,190,882	901,753	1.58	12.63	12.54
38	First Interstate Bank of Washington NA, Seattle	112,534	88,026	27.84	112,534	88,026	0	0	3,218,897	329,548	3.50	34.15	10.24
39	AmSouth Bank Birmingham NA, Ala.	111,614	13,236	743.26	111,614	13,236	0	0	5,237,380	1,007,783	2.13	11.08	19.24
40	Society National Bank, Cleveland	111,599	178,640	-37.53	111,599	178,640	0	0	5,129,603	1,063,786	2.18	10.49	20.74
41	First Fidelity Bank NA, Totowa, N.J.	109,354	62,951	73.71	109,354	62,951	0	0	1,466,336	355,791	7.46	30.74	24.26
42	First National Bank, Atlanta	104,125	153,078	-31.98	104,125	153,078	0	0	6,826,920	580,620	1.53	17.93	8.50
43	Equitable Bank of Delaware, Dover	104,014	.....	...	104,014	.....	0	.....	448,711	297,472	23.18	34.97	66.29
44	Merchants National Bank & Trust Co., Indianapolis	100,589	47,098	113.57	41,181	41,620	59,408	5,478	2,446,469	416,656	4.11	24.14	17.03
45	First National Bank, Minneapolis	96,028	49,592	93.64	96,028	49,592	0	0	9,981,519	1,593,936	0.96	6.02	15.97
46	Rainier National Bank, Seattle	92,160	90,255	2.11	55,388	90,255	36,772	0	7,698,870	640,895	1.20	14.38	8.32
47	Industrial Valley Bank & Trust Co., Philadelphia	90,749	113,102	-19.76	90,749	113,102	0	0	2,052,348	336,099	4.42	27.00	16.38
48	Seattle-First National Bank	88,477	133,376	-33.66	88,477	133,376	0	0	9,661,215	171,813	0.92	51.50	1.78
49	Shawmut Bank of Boston NA	88,189	11,313	679.54	63,980	11,313	24,209	0	5,058,277	737,665	1.74	11.96	14.58
50	Bank One Cleveland NA	87,128	5,344	1530.39	58,924	5,344	28,204	0	1,345,019	289,207	6.48	30.13	21.50
	TOTALS FOR TOP 50 (Dollars Millions)	**15,046**	**8,475**	**77.5**	**13,905**	**8,460**	**1,074**	**83**	**750,172**	**71,226**	**2.01**	**21.12**	**9.49**
	TOTALS FOR ALL BANKS 12/31/85 (Dollars Millions) (a)	**24,501**			**23,961**		**540**		**2,706,663**	**435,599**	**0.91**	**5.62**	**16.09**

Total Mortgage Securities are the the book value of all of the bank's holdings of U.S. government and private certificates of participation in pools of residental mortgages. Mortgage securities held in a bank's trading accounts are excluded. **Government Mortgage Securities** are the book value of all holdings of certificates of participation in pools of residental mortgages that are U.S. government-issued or -guaranteed. Included are certificates of participation in pools of residential mortgages issued or guarenteed by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), or the Federal Home Loan Mortgage Corp. (FHLMC). **Private Mortgage Securities** are the book value of all holdings of certificates of participation in pools of residental mortgages that are issued by others (e.g. other depository institutions or insurance companies) that are **not** guaranteed by the U.S. government. **Total Assets** are the bank's consolidated assets on June 30. **Total Securities** are the book value of all the bank's holdings of securities of all types: U.S. Treasury securities; the securities of other U.S. government agencies and corporations; U.S. government and private certificates of participation in pools of residental mortgages; securities issued by states and local governments; and foreign debt and equity securities. **Ratios on 6/30/86:** (1) total mortgage securities-to-total assets; (2) rotal mortgage securities-to-total securities; and (3) total securities-to-total assets. **(a)**— Dec. 31, 1985, are regulatory report of condition data for all insured commercial banks. Source of these data are the January 1987 Federal Reserve **Bulletin**.Data were provided by **ADP Data Services Division** from their data base of the federal regulatory report of condition.

Summary Data for Top 50 Banks in Mortgage Securities

Based on Midyear 1986 Data

Largest Ratio: Mortgage Securities To Assets

		Ratio (%)
1	Equitable Bank of Delaware, Dover	23.2
2	Hibernia National Bank, New Orleans	20.8
3	Equibank, Pittsburgh	17.5
4	First Union National Bank, Charlotte N.C.	15.5
5	Bank of Baltimore	12.6
6	First Pennsylvania Bank NA, Philadelphia	9.7
7	Pittsburgh National Bank	9.5
8	Hibernia Bank, San Francisco	9.3
9	First Fidelity Bank NA, Totowa, N.J.	7.5
10	Exchange National Bank, Chicago	7.2

Largest Ratio: Mortgage Securities To Total Securities

		Ratio (%)
1	Hibernia Bank, San Francisco	95
2	First Pennsylvania Bank NA, Philadelphia	77
3	Hibernia National Bank, New Orleans	72
4	Equibank, Pittsburgh	69
5	First National Bank, Boston	56
6	Seattle-First National Bank	52
7	First Union National Bank, Charlotte, N.C.	48
8	Dominion Bank NA, Roanoke, Va.	44
9	Union Trust Co., Baltimore	39
10	Exchange National Bank, Chicago	38

Largest Gain in Mortgage Securities (6/85-6/86)

		Ratio (%)
1	Irving Trust Co., New York	14,417
2	Union Trust Co., Baltimore	13,899
3	Bank One Cleveland NA	1,530
4	Maryland National Bank, Baltimore	1,351
5	AmSouth Bank Birmingham NA, Ala.	743
6	Shawmut Bank of Boston NA	680
7	First National Bank, Boston	582
8	Florida National Bank, Jacksonville	577
9	Republic National Bank, New York	530
10	American Security Bank NA, Washington, D.C.	368

Banks Increase Mortgage Securities Holdings

➤ Continued from Page 1

ments," he said. "Prior to these investments, we anticipated the more active prepayment of these securities, but the yield was still attractive."

These are some of the findings of the *American Banker's* second annual survey of the top 50 banks in mortgage security investments, published today. The survey, which covers the 12-month period that ended last June 30, is based on data from reports of condition submitted by banks to federal regulatory authorities.

The survey measured bank holdings of U.S. government and private certificates of participation in pools of residential mortgages; they are marked at book value. Government mortgage securities are U.S. government-issued or government-sponsored securities, including those originated by the Government National Mortgage Association, or Ginnie Mae; the Federal National Mortgage Association, or Fannie Mae; and the Federal Home Loan Mortgage Corp., or Freddie Mac.

Private mortgage securities are issued by other depository institutions and insurance companies. Government mortgage securities account for over 92% of total mortgage security holdings of the top 50 banks.

Reasons for Growth

Last year, substantially lower interest rates in the mortgage market caused a surge in mortgage lending and mortgage refinancings.

Most of these mortgages were fixed-rate loans. Many thrift institutions that traditionally invested in mortgages were shying away from these fixed-rate loans because of the problems experienced by the thrifts with fixed-rate investments over the past five years.

However, these institutions continued to originate mortgages. The supply of government mortgage securities grew by more than 30% to $475.6 billion at midyear 1986, from $365.7 billion a year earlier.

Commercial banks seeking relatively safe investments were attracted to the government mortgage securities for two reasons: They are quality investments sponsored by agencies of the U.S. government, and they were offering premium yields.

For example, at midyear, the yield on Ginnie Mae securities expected to mature in 12 years was 9.57%, or 186 basis points higher than the 7.71% yield on 10-year Treasury securities.

As reported in the *American Banker* last Friday, some thrifts — specifically the top 50 thrifts in mortgage security holdings — were also not afraid to invest in these securities. The mortgage security investments of the top 50 thrifts rose 57% to $80 billion on June 30, 1986, from $51 billion the year before, to account for most of the thrift industry's investment in these securities.

Other Survey Findings

• Of the $15.05 billion in mortgage security investments held by the top 50 banks at midyear, $13.91 billion, or 92.4%, were government mortgage securities.

• Mortgage security investments for the top 50 banks accounted for 2.1% of their total consolidated assets but more than 21% of their entire investment in securities of all types.

• According to the Federal Reserve Board's latest data for all insured banks, as of Dec. 31, 1985, mortgage security investments accounted for only 0.9% of the total consolidated assets of the banking industry and 5.6% of its entire investment in securities of all types.

• Among the top 50 banks, the 43d-ranked Equitable Bank of Delaware, in Dover, had the highest ratio of mortgage security investments to total assets. Its mortgage security investments of $104 million accounted for 23.2% of the bank's $449 million in assets.

• The Hibernia Bank, San Francisco, which ranked 35th in mortgage security holdings with its $118.4 million portfolio, had the highest ratio of mortgage security investments to total investments in securities. Government mortgage securities account for almost 95% of the bank's entire portfolio of securities of all types. ■

More Bank Associations Buy into Captive Insurer

NEW YORK — BancInsure, an insurance company created in 1985 by five state bankers' associations, said that three more state trade groups have purchased equity positions in the company.

BancInsure provides a full package of insurance products to financial institutions, including directors' and officers' liability and blanket bond coverages.

Its new shareholders are the bankers' associations of Arkansas, Montana, and Oregon. Headquartered in Oklahoma City, the company was originally formed by the state bankers' associations of Minnesota, North Dakota, South Dakota, Oklahoma, and Wisconsin.

BancInsure president Galen Pate said active negotiations are under way with six other state bankers' associations that are also expected to buy equity positions in the company.

Mr. Galen is also president of Signal Bank Inc., West St. Paul, Minn. ■

Dear Reader, How Are We Doing?

The *American Banker* wants to make sure our survey on bank mortgage security holdings meets your information needs. So would you spend a moment to give us some feedback? Please clip out this questionnaire and return to: William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004 (212) 943-5712. We will try to incorporate your suggestions into the next survey.

(1.) How would you **change** the survey to make it more useful? What would you add?

(2.) What did you like **best** about the survey?

(3.) What did you like **least** about the survey?

(4.) How do you use the survey in your work?

Name (optional)_____

Title_____

Company_____

Address_____

Phone_____

Meritor Financial Posts Quarterly Gain in Net Income

By MARK BASCH

NEW YORK — Meritor Financial Group, Philadelphia, reported higher net income in the fourth quarter, as the thrift holding company recorded its first profit independent of gains on the sale of investments and loans since the first quarter of 1985.

Fourth-Quarter Earnings

Meritor, the parent of PSFS, Philadelphia, had net income before extraordinary items of $4.7 million, or 13 cents a share, compared with a year-earlier loss of $1.7 million, or 5 cents a share, in the fourth quarter of 1985. Extraordinary gains from the use of net operating loss carryforwards made final net income of $9.1 million, or 26 cents a share, in the 1986 quarter, compared with $7 million, or 20 cents a share, a year earlier.

For the full year, Meritor posted a net loss before extraordinary items of $5.2 million, compared with a profit of $21 million in 1985. The company was profitable overall in 1986 because of the use of loss carryforwards.

The 1986 results were lower because Meritor reduced its reliance on gains from the sale of loans and investments. Net gains from those sales were $34.9 million in 1986, down from $109.3 million in 1985. In the fourth quarter of 1986, net gains were $5.2 million, compared with $29 million in the year-earlier period.

"We are currently emerging from a costly and sometimes painful process of restructuring," said Meritor chairman Frederick S. Hammer. "In the process of strengthening our balance sheet, we have sacrificed short-term earnings to position ourselves more competitively for the future."

The company had a 20% increase in net interest income in the fourth quarter to $70.7 million. ■

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